# HEALTHY FOOD FINANCING INITIATIVE Implementation Plan

More than 23 million people in America live in food deserts – urban neighborhoods and rural towns without ready access to fresh and healthy food. Instead of supermarkets and grocery stores, these communities may have no food access or are served only by fast food restaurants and convenience stores that offer few healthy food options. The lack of access contributes to a poor diet and can lead to higher levels of obesity and other diet-related diseases, such as diabetes and heart disease.

This is a solvable problem. The Administration, as part of the First Lady's *Let's Move!* campaign, has committed to eliminating America's many food deserts in seven years. Well-targeted financing, technical assistance, and community partnerships can improve access to healthy foods, create new markets for farmers and quality jobs for residents, attract private investment, and support broader economic development efforts to revitalize distressed rural and urban communities.

#### The Vision

The Healthy Food Financing Initiative (HFFI) promotes a range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products, developing and equipping grocery stores and strengthening the producer-to-consumer relationship. The financing tools that form the core of this initiative are aimed at supporting broad-based and strategic interventions delivered through multiple mechanisms:

- tax credits to financial intermediaries in order to attract private capital for large-scale development;
- grants or low-cost loans to corner stores or mobile vendors to help owners obtain equipment and partner with local growers; and
- **technical assistance** to help healthy food businesses develop strategies that make them profitable over the long term.

By leveraging the unique capabilities and resources of three federal agencies, and by encouraging local leaders, community development organizations and businesses to form strategic alliances, HFFI will help address the diverse needs of localities and build capacity that allows businesses and communities to adapt as markets evolve.

## **Initiative Goals**

**1. Eliminate food deserts in seven years** by developing healthy food retailers in areas that currently lack them.

2. Reduce childhood obesity rates by increasing the availability and consumption of a full range of healthy foods, including fruits and vegetables, low fat dairy products, and lean proteins. Nearly one in three children in America is now overweight or obese.

<sup>&</sup>lt;sup>1</sup> Food deserts are defined as low-income urban areas that are more than a mile from a supermarket and low-income rural areas that are more than ten miles from a supermarket.

- **3. Expand the number of quality jobs** in the food sector by creating new opportunities for stable employment in economically disadvantaged urban and rural communities.
- **4. Spur 'livable communities' and business growth** in rural and urban communities by developing and expanding viable healthy food retailers that can anchor economic and community improvement.
- **5. Create new opportunities for agricultural producers** by expanding access into underserved consumer markets and stimulating greater overall demand for healthy food.

## The Design: Leveraging Multiple Tools

There are a number of federal programs that target key points along the food supply chain (see Table 1), but as well-respected state and local healthy food efforts have shown in recent years, none of these federal programs alone can support the range of interventions required to address the many factors contributing to food deserts. By teaming up, each agency can overcome key limitations in its programs and, by leveraging the capabilities and resources of the other agencies, better fulfill its mission:

- USDA provides research support to identify food deserts and financial and technical assistance, including grants, loans, loan guarantees, and market promotion resources to a wide range of entities, but does not have longstanding relationships with Community Development Financial Institutions (CDFI) or Community Development Corporations (CDCs) that have successful models for improving food access.
- Treasury supplies flexible capital to CDFIs and other financial intermediaries to expand affordable financing to underserved businesses but generally does not directly support efforts to strengthen the supply chain between local producers and consumers that is critical for expanding the distribution of fresh food.
- HHS targets assistance to community development organizations for a myriad of projects that typically cannot realize the type of leveraging of private funding that a financial intermediary, like a CDFI, can achieve.

**Table 1: Key HFFI Programs** 

Department	Program	Туре	Purpose	Recipient	HFFI Budget
Treasury	New Markets Tax Credit (NMTC)	Tax Credit	Businesses & Commercial Facilities	CDEs/CDFIs	\$250M (investment authority)
Treasury	CDFI Program	Grant	Affordable Credit	CDFIs	\$25M
HHS	Community Economic Development (CED)	Grant	Business Development	CDCs	\$20M
USDA	Secretary's Fund	Grant, Loan, Guarantees	Facilities, Planning & Promotion	Intermediaries & Business	\$35M
USDA	Business & Industry	Guarantees	Rural Business Development	Rural Business	\$79M (loan level)
USDA	Intermediary Relending Program	Loan	Rural Business Development	Intermediaries	\$3.6M (loan level)

The programs included in this initiative, shown on the previous page, each provide a unique mechanism to support community and business development. When these are combined, public dollars can act far more effectively as a market-making catalyst, to provide the full range of financing to local actors — all key to solving the healthy food access problem. Instead of approaching this problem through separate agency and program silos, a collaborative approach will allow HFFI to be:

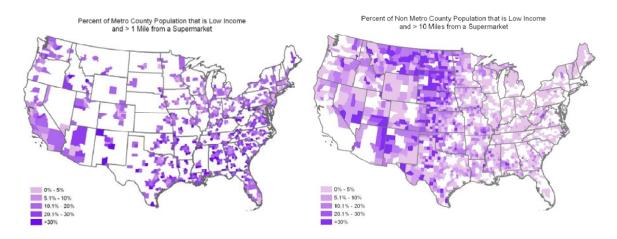
- 1. Adaptable. From small grants for site development studies and technical assistance; to large construction loans for supermarkets; to grants to help communities establish farmers' markets, public markets, cooperatives, community-supported agriculture, and mobile vendors; financing can be tailored to meet the specific needs of businesses and communities.
- **2. Far reaching.** Flexible resources and technical assistance will ensure broad coverage of both rural and urban markets.
- **3. Focused on business viability.** Assistance will support sound business plans that allow healthy food growers and retailers to remain profitable without a public subsidy for operations.
- **4. Matched with private investment.** The combination of federal resources will leverage private sector capital that will more than double the total investment in food deserts.
- **5. A model for success.** Successful HFFI projects will provide models for State and local governments and private organizations to continue the effort to eliminate food deserts.

## The Leadership Structure

USDA, Treasury and HHS will create the Healthy Food Financing Working Group comprised of senior policy officials and program staff from each department, with policy oversight from the Domestic Policy Council and in consultation with the First Lady's office. The National Economic Council and the Office of Management and Budget will play active supporting roles. The group, which will be chaired by USDA, will coordinate the development of solicitations, applications, review and award processes, and public events, as well as mechanisms to track investment performance in order to clearly demonstrate progress toward eliminating food deserts in seven years.

## **Targeting**

The Administration's FY 2011 Budget request will make over \$400 million in financial assistance (supported through grants, loan guarantees and tax credits) available to begin reaching the estimated 23.5 million people, including 6.5 million children, living in low-income metro areas that are more than a mile from a supermarket and 2.3 million people in low-income rural areas that are more than ten miles from a supermarket. The charts below show the prevalence of food deserts in both rural and urban markets, with the darker shaded areas showing communities that are acutely impacted.



Source: White House Task Force on Childhood Obesity, Solving the Problem of Childhood Obesity, May 2010

Reaching these communities not only requires coordination at the federal level, but also among community organizations, businesses, and State and local governments. Given that several HFFI programs target different recipient types, it is unlikely that one organization will be eligible to receive funding from all programs. However, HFFI will incentivize eligible program recipients – CDFIs, CDCs and other intermediaries, and rural businesses – to form partnerships and develop integrated strategies prior to applying to respective programs. It is through these partnerships that the full array of financing will be available to address the specific food access needs of a community. To ensure sufficient incentives, agencies will give special consideration, where appropriate and consistent with existing statutes, to applicants that demonstrate an integrated approach to improving access.

HFFI will target a portion of funding, via programs at all three federal agencies, to a group of high-performing community-based intermediaries.<sup>2</sup> Intermediaries are sophisticated for-profit or non-profit entities that manage and disburse capital for specific community development objectives. These organizations hold the most promise for being able to establish successful partnerships and deliver broad-based solutions that address food access problems in underserved communities. Capable intermediaries have a unique understanding of their markets, solid relationships with private lenders and philanthropic organizations, strong project pipelines, and they are adept at leveraging federal funding from a variety of programs to advance their mission.

Initiative funding will also be targeted directly to rural businesses and governments through several USDA programs that offer grants and loan guarantees to support infrastructure development, planning activities, and economic development. Applicants to these programs will be encouraged to partner with intermediaries that have received, or applied for initiative funding. With sufficient partnering, a community can benefit from tax credits, grants, loans, guarantees, and technical assistance for a suite of projects that collectively eliminate food deserts.

<sup>&</sup>lt;sup>2</sup> CDFI Program grants can only be awarded to CDFIs and NMTCs can only be awarded to financial intermediaries known as Community Development Entities, as which CDFIs automatically qualify. HHS' Community Economic Development grants can only be awarded to Community Development Corporations, some of which are CDFIs. USDA's Intermediary Relending Program and Micro Entrepreneur Assistance Program both reach rural businesses through intermediaries.

Finally, an important complement to the project or portfolio financing at the heart of the initiative will be a set of federally-supported capacity building activities that enable communities without strong partnerships in place to develop them over time.

## **Interagency Collaboration**

The timeline on the following page identifies the key actions the interagency working group will oversee including: outreach, application solicitation, award announcements, and program oversight. This plan builds on established application timelines for each program that are clearly understood by target applicants, but are modified slightly to ensure a more integrated approach that will (1) put funds to work quickly; and (2) effectively target the right mix of financing to high-quality applicants.

### **Chart 1: HFFI Timeline**

<u>Outreach</u>. By August 2010, the interagency working group will publish a <u>Guide for Prospective HFFI</u> Applicants that explains the initiative, its programs, funding amounts, and application and award processes, including key review criteria. As noted in the chart above, the publication of the guide will be followed by intensive coordinated outreach efforts that use public events and an interagency website devoted to HFFI as means to ensure that all stakeholders, especially potential applicants, have a clear understanding of both the financial tools available and the need to (a) form partnerships within communities and (b) develop strategies, via those partnerships, that seek to leverage the resources of a variety of federal programs under this initiative.

Announcements and Awards. The implementation plan will link announcements and awards for all HFFI programs, with each succeeding award creating a more integrated initiative. The federal partners will publish separate announcements for their HFFI programs, but all solicitations will have a common preamble. Departments will also review applications separately, but incorporate into the selection process HFFI-specific criteria to ensure that agencies evaluate applications using common standards, such as community need, quality of strategies, and capacity to execute plans. While each department will retain the authority to make funding decisions for its programs, participating agencies will consult prior to HFFI awards being made under any given program. In addition, where appropriate and consistent with existing statutes, special funding consideration will be given to organizations intending to use (either

directly or through partnerships) multiple sources of HFFI funding. The plan, as seen in the timeline, is as follows:

- CDFI Program. The solicitation will be published by September 2010, incorporating application
  criteria developed in consultation with the other agencies. HFFI awardees will be announced by
  May 2011 after consulting with federal partners.
- 2. USDA's Secretary Fund and HHS' CED. Solicitations for both programs will be published in May 2011, immediately after the announcement of CDFI Program HFFI awards. USDA and HHS will give special consideration to applicants that are CDFI Program HFFI awardees or organizations that identified a strategy to partner with these awardees. The two agencies will jointly announce awardees in September 2011.
- 3. NMTC. The solicitation will be published in March 2011. Allocations will be announced in November 2011. This timeline will enable the NMTC Program, to the extent practicable given statutory constraints, to align its selection of HFFI awardees with organizations that have received awards from the other three major programs (and/or are partnering with those awardees).
  - Given that FY 2011 NMTCs will not be awarded until late in 2011, the interagency group will encourage potential applicants to partner with existing NMTC allocatees that planned to support the type of retail development envisioned through HFFI, including those that will have received the \$5 billion of awards in late fall of 2010, but have yet to commit credits to a project. By encouraging partnerships with existing allocatees, large-scale development can begin much earlier in the year.
- 4. **USDA Suite**. A portion of funding from a collection of USDA programs will be devoted to HFFI activities. These programs include: (1) Business and Industry Loan Guarantee Program; (2) Intermediary Relending Program; (3) Rural Microenterprise Assistance Program; (4) Community Facilities; and others. Most programs accept applications throughout the year and make awards decisions either continuously or on a quarterly basis. Applicants to these programs will be asked how they partnered with applicants to the Treasury and HHS programs, with the goal of funding top applicants that demonstrate strong links across all programs.

<u>Program Oversight</u>. As a key element of the First Lady's <u>Let's Move!</u> campaign, HFFI has specific outcome targets—the most important of which is <u>measurably reducing the number of food deserts through a concerted, multi-year, performance-driven effort</u>. As such, agencies will stay engaged with HFFI awardees as projects move forward. The working group will develop reporting requirements specifically for HFFI awardees. These requirements will call for regular updates on project development. Beyond ensuring accountability from a conventional public trust perspective (avoiding waste, fraud, and abuse), these progress reports will enable federal partners and grantees to identify the need for midcourse corrections and other interventions, such as where projects have stalled. We envision a community of

practice evolving around the design and implementation work, which is along networks of practitioners learning from each other and from experts in the field.

In addition to regular reporting, the working group, in coordination with OMB, will prepare a robust set of performance measures that will be used to evaluate the impact of FY11 funding, particularly for use in future budgets, testimony, and public documents. These measures will chart the progress awardees have made toward achieving the goal of eliminating food deserts in seven years, and other key data points for end outcomes (such as access, job creation and quality, commodity sales, and community health) as well as interim ones (such as amount of private funding leveraged and business performance).